

# STATE LAND MANAGEMENT IN HUNGARY

State Land Management in Transitional  
Countries

FAO-FIG

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# MAIN SUBJECTS

- The land issue
- National Land Fund and the latest development in state land management
- Objectives of state land management, principles of land policy
- Legal framework
- Management tools
- Strength and weakness
- Going further

# THE LAND ISSUE

- Hungary has **9,3 million ha** total area consisting of
  - 7,4 million ha fertile land (80 %)
    - **5,5 million ha agricultural land (60 %)**
      - incl. 4,3 million ha arable land (46 %)
    - 1,9 million ha forestland (20 %)
- **Good growing conditions**
- **Agricultural land-ownership/ land compensation**
  - 4,6 million ha private (84 %)
  - 0,7 million ha state owned (12 %)
  - 0,2 million ha owned by legal entities (4 %)

# THE LAND ISSUE

- **Land tenure**
  - **Land-ownership and land-use are mostly separated in Hungary**
  - Majority of the land are cultivated under **land leasing contracts**
  - Considerable difference between **land leasing fees** on market (private, state)
  - **EU-accession in 2004, derogation extended to May 2014** (neither foreign citizens nor legal entities are eligible to acquire land-ownership)

# THE LAND ISSUE

- **Land is subject of national interest**
  - **Essential resource** of life and economy
  - Base of rural life and development
  - Safe food production and associated resources (e.g. water, environment) are **strategic issues**
  - **Politically sensitive field**
  - **Emotional factors**

# NATIONAL LAND FUND (NLF)

- **NLF was established by Act CXVI. on National Land Fund on January 1, 2002**
- Treasury assets of the Hungarian State consisting of
  - agricultural land
  - forest land
  - land taken out from cultivation (serving the use and cultivation of agricultural and forest land)
- **Owner's rights belong to the minister responsible for agriculture and rural development, who acts the rights through assets manager organization**

# NATIONAL LAND FUND (NLF)

- **Hungarian National Land Fund Plc.**
  - January 1, 2002 – July 31, 2002
  - Take-over of land-assets from former assets-managers (ÁPV Zrt., KVI)
  - Development of land assets-register (inventory)
- **National Land Fund Management Organization (NLFMO)**
  - August 1, 2002 – December 31, 2007.
  - Not a legal successor (budgetary organization)
  - Principles of Land Policy (Parliament, no legal-force)
  - Land management: 1) leasing, 2) temporary use of land, 3) sale, 4) land-swap, 5) contract of assets-management
  - Purchase of land for life-annuity (fragmented part\_of assets)
  - International relationships (FAO, DLG, TALC, FARLAND, ELO)

# NATIONAL LAND FUND (NLF)

- **Hungarian State Holding Company (MNV Zrt.)**
  - January 1, 2008 – August 31, 2010
  - Legal successor, state-holding company (merge NLFMO, ÁPV Zrt., KVI)
  - Different type of state owned assets-groups (NLF, company-portfolio, other treasury assets) managed by one state holding company
  - Land management: 1) sale, 2) temporary use of land, 3), 4) leasing, 5) land-swap 6) contract of assets-management
  - Purchase of land for life-annuity (fragmented part of assets)
  - International relationships were broken



# NATIONAL LAND FUND MANAGEMENT ORGANIZATION (NLFMO)

- **Act LXXXVII. of 2010**
  - **NEW NLFMO from September 1, 2010**
  - Budgetary organization, not a legal successor as entity
  - Legal-successor of MNV Zrt. for the rights and liabilities associated with NLF
  - Principles of Land Policy with legal-force
  - Land Policy Council (>100 million HUF/case; non-compensated assets-management contracts and sale of land, deals made without public tenders or auction [vs. confiscation])
  - Land management: 1) leasing, 2) contract of assets-management, 3) land swap, 4) sale
  - Involvement in land-consolidation and land banking activities

# LAND ASSETES OF NLF

- **1,9 million ha of total area**
- 49 % agricultural land, 50 % forest, 1 % taken out from cultivation
- Contracts of land management:  
11 375 contracts, incl. 11 230 land leasing contracts
- Taking over land assets and associated contracts MNV Zrt.
- **Tasks:** scouting land assets, land assets register, revision and amendment of land leasing and assets management contracts
- **Limited sale and leasing marketability** of land assets (70 % assets management contracts)

# OBJECTIVES OF STATE LAND MANAGEMENT, LAND POLICY

- Providing land for **family farms, animal husbandry**
- Improving **land ownership and land leasing** system
- Influence on **land price and land leasing fees**,
- **Activating the land market** (both sale and leasing),
- Acting against **land speculation** (derogation of land market)
- Managing **agricultural land less suitable for cultivation** (e.g. industrial disaster, erosion)
- Keeping **high-value plantations** in cultivation
- Cultivation of **special purpose** (research, gene-reserves)
- **Land consolidation**
- **Principles of Land Policy** involved in Act LXXXVII. (legal force)

# LEGAL FRAMEWORK

- **Act LXXXVII. of 2010 on National Land Fund**
- **Government decrees** on land assets register and land-management of NLF, land-program for social purposes
- **Act LV. of 1994. on Fertile Land**
- **16/2002. (II. 18.) Government decree** on using pre-emption right (sale or leasing of fertile land)
- **Civil Code** (contracting, liability)
- NLFMO is not an authority, representing the Hungarian State in NLF associated relationships subject to Civil Code

# TOOLBOX

- **Measures set by different laws** can be taken
- Decreasing **common-shared ownership**
- **Land swap** (voluntary) for land consolidation purposes
- **Public tender of land leasing**
- **Pre-emption right of the Hungarian State for purchasing land**
- **Land consolidation** (institutional long-term procedures: land swap, sale/purchase, land leasing, land-merge etc.)
- **Land banking** (land consolidation and land market purposes)
- **Financing products** adequately developed for agriculture (settlement of bad liabilities, working-capital, investment/development incl. land) are essential needs

# WEAKNESS

- **Frequently changed institutional framework** of state land management
- **Legacy of previous state land management regimes** (long-term contracts, claims outstanding, insufficient databases, legal cases, etc.)
- **Administrative approach has to be replaced** by owner's approach of state land management
- **Resources have to be improved** (staff, budget, databases, etc.)
- **State lands have not been consolidated** (lack of acts setting legal framework of land consolidation and farm enterprises)
- **Public environment**

# STRENGTHS

- **Cadastral** (area land offices, available databases)
- **Registration of land use** (eligibility for subsidies)
- **Improving legal framework**
- **Land policy declared**, principles of land policy set by Act on National Land Fund (land policy guidelines)
- **Allocation of more resources for state land management** (budget, staff, legislation, communication, etc.)
- **Commitment for sound and strong state land management**
- **Improving cooperation** between governments' agencies

# GOING FURTHER

- **New laws are expected to be introduced**
  - Act on land
  - Act on land consolidation
  - Act on agricultural enterprises (definition, land size, activities, marketability, associated rights)
- **Land-market**
  - Stand-still status of market regulations till May, 2014
  - Gradually increasing prices, wait-and-see status due to extended derogation
  - Increasing speculative movements



# CONCLUSIONS

- Recent changes provide conditions of better state land management, **state sector can be efficient**
- **Legal framework** has to be fine-tuned
- **Firm institutional framework** is a basic condition for improved state land management
- **Administrative approach** to state land management **has to be replaced** by best practice learned from private sector
- **Public environment has to be handled** properly by transparency, and adequate communication